



## Effects of price reframing tactics on consumer perceptions



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### ABSTRACT

This article compares the effects of three pricing tactics—temporal reframing of prices (TRP), measure-based unit pricing (UP), and usage-based UP—on various consumer perceptions. Although these tactics are similar as they all reframe retail prices to a smaller amount, dissimilarity also exists as the respective units used for calculating these reframed prices differ. A laboratory experiment was performed to draw comparisons among the three types in a context of print advertisement. The results suggest that usage-based UP provided the most beneficial information for consumers; however, the differences between usage-based UP and TRP were not substantial.

### 1. Introduction

Price perception is one of the significant determinants in consumer purchasing decisions, and various pricing tactics have been developed by both manufacturers and retailers to create more favorable price perceptions from consumers (e.g., Carlson et al., 2007; Hardesty et al., 2007). Among the variety of pricing tactics, temporal reframing of price (TRP) and unit pricing (UP) are distinguishable from others because they do not involve changes or reductions to retail prices but rather simply reframe the prices into a different form. TRP reframes the prices as smaller amounts based on time units consumers use in everyday life, such as “\$1.68 a day” or “\$11.68 a week.” UP typically reframes the price per unit of weight or volume such as “\$1.68 per liter.” Recently, a different type of UP, a so-called usage-based UP, which expresses the price in cents or dollars per use (e.g., \$1.68 per serving), has been recognized by Kwornik et al. (2006). These tactics provide additional information regarding retail prices and allow consumers to consider prices from different aspects. Consequently, this process often prompts consumers to form different price perceptions and can therefore lead to different purchasing decisions.

Previous research appears to view TRP and UP as separate tactics as they have been examined irrespective of each other. We speculate that one reason for this is that the time spans studied have varied between them. UP studies began in the United States when UP laws were enacted in the 1970s and grocery retailers were required to display the unit price on the item and/or shelf for all commodities (Isakson and Maurizi, 1973; Monroe and Laplaca, 1972). At that time, there were controversies over UP, such as whether consumers used unit-price information when choosing brands or whether they actually did purchase the lowest unit-priced items in a product class (e.g., Russo,

1977). Accordingly, the majority of early studies focused on these issues. On the other hand, TRP has not been well researched until recently. We presume this is because the tactic became widespread in actual markets later than UP. Gourville (1998) conducted the first study that drew attention to TRP, performing an empirical analysis in consumer behavior research.

In addition, the intended purpose of companies differs between TRP and UP. UP enables value-conscious consumers to compare similar items based on unit-price information (Kwornik et al., 2006; Monroe and Laplaca, 1972). In contrast, the role of TRP is to induce a more favorable price perception from consumers in the context of a stand-alone decision context.

All TRP, measure-based UP, and usage-based UP are classified as tactics of reframing retail prices. However, the information provided by each tactic is not exactly the same because the units differ between them. Thus, investigating how consumers respond to them differently appears to be an interesting topic for research, with certain research questions arising. The following can be considered as some of the main questions: which tactic generates the most favorable price perceptions from consumers—TRP, measure-based UP, or usage-based UP? Do consumers' perceptions of quality and purchasing intentions of an advertised product differ among them? Does the extent to which consumers perceive these tactics as useful actually differ? Little research has investigated these issues and these questions remain unanswered. Therefore, the purpose of this article is to explore these issues outlined. This kind of investigation is important because when a company decides to advertise a reframed price in addition to a retail price, they are likely to face a decision regarding which unit to use for reframing. Thus, understanding the relationship between consumers' responses and respective reframing tactics is meaningful, both practi-

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cally and theoretically. In the following sections, we review the literature on TRP and UP. We then present our hypotheses and describe our study and results. We then conclude with a discussion of the findings and the implications of the study.

## 2. Theoretical background

### 2.1. Effects of TRP

In this section, we review the studies that have focused on the effectiveness of TRP on consumer responses. Such studies do not have a long history and only six in total have been reported to date. The initial study by [Gourville \(1998\)](#) analyzed cases where a requested donation amount was shown to participants either in a TRP form or as an aggregate annual amount, by using a charitable donation scenario. The results showed that TRP encouraged the retrieval of small daily expenses (e.g., coffee, lunch, taxi fare) as a standard of comparison, and this comparison affected consumers' judgments. Consequently, the likelihood of donation was higher when it was presented in the TRP form than the aggregate annual amount. This phenomenon was observed when the amount of TRP was small (i.e., \$1 per day).

The second study by [Gourville \(1999\)](#) compared products that are consumed on an ongoing basis (e.g., one year's cellular phone service) and on a lump-sum basis (e.g., a round-trip airline ticket). Another comparison examined whether encouraging explicit comparison, by presenting a petty cash expense (i.e., a morning coffee or afternoon snack), with TRP improved consumers' evaluations. The results showed that TRP increased the perceived value of the products consumed on an ongoing basis rather than on a lump-sum basis. Moreover, encouraging an explicit comparison by consumers did not add much value to TRP since TRP itself was sufficient for prompting the consideration and acceptance of petty cash expenses.

The third study by [Gourville \(2003\)](#) compared three forms (per-day, per-month, and aggregate) for various transactions. The results confirmed that the preferences for TRP were observed both in the per-day and per-month forms, when the amounts of TRP were small (i.e., \$4 or less per day).

Subsequently, [Bambauer-Sachse and Mangold \(2009\)](#) scrutinized the effects of TRP, from both a positive and negative perspective. The results revealed that while TRP generated higher perceived price attractiveness, it also produced two negative consumer perceptions. These were a higher perceived complexity of the price structure and a greater feeling of being manipulated. In addition, the positive effect was weaker than the negative effect and this resulted in lower product evaluation.

The study by [Bambauer-Sachse and Grewal \(2011\)](#) confirmed the existence of four moderating variables of price endings (even vs. odd), price levels (high vs. low), time periods of aggregate price (short vs. long), and consumers' calculation affinity (high vs. low). Their analysis revealed that perceived price attractiveness, product evaluation, and purchase intention were higher and the feeling of being misled was lower when TRP was demonstrated in even price endings and used for higher prices, shorter periods, and among consumers with low calculation affinities.

The approach taken by the most recent study, conducted by Shirai in 2012, differs somewhat from previous studies. Those previous studies examined the effectiveness of TRP in the context of no aggregate price being presented with TRP. Regardless of the absence of TRP, the price consumers actually pay (i.e., the aggregate price) remained unchanged. Thus, the actual price needed to be shown to consumers, with the TRP displayed as additional information. Otherwise, consumers may feel irritated by not being informed of the actual price. Considering this issue, [Shirai \(2012\)](#) compared three forms: an aggregate price only, an aggregate price with TRP, and TRP only. The results revealed that the aggregate price with TRP evoked more favorable price perceptions and purchase intentions than the TRP

only form. In addition, compared with the TRP only form, it reduced the negative perceptions that were found by [Bambauer-Sachse and Mangold \(2009\)](#). Furthermore, TRP was found to be effective, not only for services but also for tangible products with relatively high prices that are used for long periods (i.e., laptop computers).

In summary, the use of TRP reduces consumers' perceptions of sacrificing income on expenses when reframed prices are relatively small. Displaying a TRP with the actual aggregate price induces higher credibility and reduces negative inference for consumers, more so than when the TRP only is displayed.

### 2.2. Effects of UP

Early studies regarding UP have mainly focused on investigating whether consumers made use of measure-based UP information. The results have been conclusive. [Block et al. \(1971–1972\)](#) used weekly sales data from supermarket grocery products and analyzed whether there was a significant relationship between unit price and sales volume, in other words, whether the items with the lowest UP had the highest sales volume. However, they found no such relationship existed. In addition, there was no carryover effect of UP after the UP information was removed from the shelf.

[Monroe and Laplaca \(1972\)](#) summarized UP statistics reported by eight organizations and concluded that the shift toward lower unit-priced products was observed in only some of the studies. In addition, UP users had a tendency to be highly educated, professional, aged under 40, earned a good income, and lived in the inner-city (as opposed to suburbia). UP users were also found to be middle-income and high-income consumers and not low-income consumers ([Isakson and Maurizi, 1973](#)).

The effects of UP on consumer choice regarding different package size were examined by [Granger and Billson \(1972\)](#). They found that consumer choice was clearly influenced by UP information and confirmed a significant shift toward the best value size.

The next two studies examined UP effect by asking consumers to purchase the most economical brand and size. Performing a field experiment in supermarkets, [Houston \(1972\)](#) found that displaying both actual price and UP led to participants choosing the lowest UP items. [Gatewood and Perloff \(1973\)](#) conducted an experiment in a hypothetical supermarket setting and confirmed that presenting UP helped consumers to make better choices in a shorter time.

The following two studies investigated display formats. [Russo et al. \(1975\)](#) developed a new single list of all brand/sizes and unit prices. Two study periods were compared: one in which unit prices were displayed on separate shelf tags and the other in which prices were displayed in a list. As expected, it was observed that the higher the market share, the lower the unit price when the list was provided. Moreover, the mean price per unit actually purchased also decreased. [Russo \(1977\)](#) expanded on the work conducted by [Russo et al. \(1975\)](#) by including a period in which no unit price was displayed. The results revealed that the mean price per unit purchased decreased by 1% when unit prices were displayed on shelf tags and decreased by 2% when a list of prices was displayed.

[Miyazaki et al. \(2000\)](#) have examined the prominence of unit price in consumer consciousness. A field study was conducted to compare two grocery chains where one presents unit prices more prominently than the other. They found that the prominence of UP positively affected awareness of consumers who were relatively unaware of the prices. Another experiment conducted in this study confirmed that prominent unit prices led shoppers to purchase lower priced items.

Finally, [Kwortnik et al. \(2006\)](#) performed the first study that focused on usage-based UP. They argued that there were product categories for which measure-based UP might confuse consumers (e.g., cereals, snack foods, dietary supplements). In those categories, products are available in different serving size and portions. For example, some products are priced based on weight while others are priced

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